

<Excerpt English translation of the original Japanese-language document>



October 6, 2014

Consolidated Financial Results
for the First Six Months of the Fiscal Year Ending February 28, 2015
<under Japanese GAAP>

Company name: **PARCO CO., LTD.**

Listing: First Section of the Tokyo Stock Exchange

Stock code: 8251

URL: <http://www.parco.co.jp/>

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Scheduled date to file Quarterly Securities Report: October 9, 2014

Scheduled date of dividend distribution: October 27, 2014

Preparation of supplementary material on quarterly earnings: Yes

Holding of quarterly earnings performance review: Yes (for institutional investors and analysts)

(All amounts have been rounded down to the nearest million yen.)

1. Consolidated performance for the first six months of the fiscal year ending February 28, 2015 (from March 1, 2014 to August 31, 2014)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First six months ended August 31, 2014	131,183	1.4	6,319	6.6	6,329	8.7	3,619	10.4
August 31, 2013	129,401	0.8	5,926	22.0	5,824	27.9	3,280	46.6

Note: Comprehensive income

For the first six months ended August 31, 2014: 3,501 million yen [0.2%]

For the first six months ended August 31, 2013: 3,496 million yen [56.2%]

	Net income per share	Diluted net income per share
First six months ended	Yen	Yen
August 31, 2014	35.68	—
August 31, 2013	32.33	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
August 31, 2014	222,450	111,411	50.1
February 28, 2014	220,757	108,823	49.3

Reference: Equity

As of August 31, 2014: 111,411 million yen

As of February 28, 2014: 108,823 million yen

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2014	–	9.00	–	9.00	18.00
Fiscal year ending February 28, 2015	–	9.00			
Fiscal year ending February 28, 2015 (Forecast)			–	9.00	18.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2015 (from March 1, 2014 to February 28, 2015)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 28, 2015	272,000	2.9	12,300	0.8	12,150	1.1	6,800	0.3	67.02

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

* Notes

- (1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
 - a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement of prior period financial statements after error corrections: None
- (4) Number of issued shares (common shares)
 - a. Total number of issued shares at the end of the period (including treasury shares)

As of August 31, 2014	101,462,977 shares
As of February 28, 2014	101,462,977 shares
 - b. Number of treasury shares at the end of the period

As of August 31, 2014	2,888 shares
As of February 28, 2014	2,587 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the first six months ended August 31, 2014	101,460,265 shares
For the first six months ended August 31, 2013	101,456,669 shares

*** Indication regarding execution of quarterly review procedures**

The quarterly review procedures pursuant to the Financial Instruments and Exchange Act do not apply to this quarterly earnings report. At the time of disclosure of this quarterly earnings report, the quarterly review procedures for quarterly consolidated financial statements are in progress.

*** Proper use of earnings forecasts, and other special matters**

Caution concerning forward-looking statements

The forward-looking statements, including earnings forecasts, contained in these materials are based on information available to the Company at the time of the filing and certain assumptions deemed reasonable by the Company. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ significantly due to various unforeseen factors.

Method of accessing supplementary material on quarterly earnings

On Monday, October 6, 2014, the Company plans to hold an earnings performance review for institutional investors and analysts. The Company plans to post a video of this earnings performance review on its website promptly after the review is held.

(Reference) Non-consolidated earnings forecasts

**Non-consolidated earnings forecasts for the fiscal year ending February 28, 2015
(from March 1, 2014 to February 28, 2015)**

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 28, 2015	248,400	2.4	11,500	(2.7)	11,350	(3.2)	6,550	(3.3)	64.56

Note: Revisions to the non-consolidated earnings forecasts most recently announced: Yes

Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of February 28, 2014	As of August 31, 2014
Assets		
Current assets		
Cash and deposits	3,529	4,257
Notes and operating accounts receivable	7,581	10,747
Merchandise and finished goods	2,984	2,930
Work in process	278	348
Raw materials and supplies	40	39
Other	7,987	4,593
Allowance for doubtful accounts	(5)	(7)
Total current assets	22,396	22,909
Non-current assets		
Property, plant and equipment		
Buildings and structures	121,524	121,774
Accumulated depreciation	(77,395)	(78,549)
Accumulated impairment loss	(1,131)	(642)
Buildings and structures, net	42,997	42,583
Buildings and structures in trust	17,667	17,705
Accumulated depreciation	(3,339)	(3,774)
Buildings and structures in trust, net	14,327	13,931
Machinery, equipment and vehicles	845	841
Accumulated depreciation	(645)	(664)
Machinery, equipment and vehicles, net	200	177
Machinery, equipment and vehicles in trust	16	16
Accumulated depreciation	(9)	(10)
Machinery, equipment and vehicles in trust, net	7	6
Other	5,865	5,978
Accumulated depreciation	(4,469)	(4,533)
Accumulated impairment loss	(137)	(59)
Other, net	1,257	1,384
Other in trust	138	148
Accumulated depreciation	(84)	(92)
Other in trust, net	53	56
Land	43,803	43,805
Land in trust	46,992	46,992
Construction in progress	4,950	7,707
Total property, plant and equipment	154,590	156,645
Intangible assets		
Leasehold right	10,949	10,969
Other	898	899
Total intangible assets	11,847	11,869
Investments and other assets		
Investment securities	2,886	2,340
Lease and guarantee deposits	27,299	26,849
Other	1,945	2,043
Allowance for doubtful accounts	(209)	(206)
Total investments and other assets	31,921	31,027
Total non-current assets	198,360	199,541
Total assets	220,757	222,450

(Millions of yen)

	As of February 28, 2014	As of August 31, 2014
Liabilities		
Current liabilities		
Notes and operating accounts payable - trade	15,564	19,620
Short-term loans payable	14,719	10,869
Income taxes payable	1,216	2,521
Provision	1,626	1,623
Other	7,904	10,610
Total current liabilities	41,030	45,244
Non-current liabilities		
Long-term loans payable	35,705	31,554
Provision	1,788	1,767
Guarantee deposits received	32,740	31,770
Other	668	702
Total non-current liabilities	70,902	65,794
Total liabilities	111,933	111,039
Net assets		
Shareholders' equity		
Capital stock	34,367	34,367
Capital surplus	35,129	35,129
Retained earnings	38,781	41,488
Treasury shares	(2)	(2)
Total shareholders' equity	108,276	110,982
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	671	546
Foreign currency translation adjustment	(124)	(117)
Total accumulated other comprehensive income	547	428
Total net assets	108,823	111,411
Total liabilities and net assets	220,757	222,450

(2) Consolidated statements of (comprehensive) income
Consolidated statements of income (cumulative)

(Millions of yen)

	First six months ended August 31, 2013	First six months ended August 31, 2014
Net sales	129,401	131,183
Cost of sales	109,716	111,169
Gross profit	19,685	20,013
Operating revenue	1,859	1,982
Operating gross profit	21,544	21,995
Selling, general and administrative expenses	15,618	15,676
Operating income	5,926	6,319
Non-operating income		
Interest income	28	25
Dividend income	34	33
Miscellaneous income	168	218
Total non-operating income	232	277
Non-operating expenses		
Interest expenses	271	228
Miscellaneous expenses	63	38
Total non-operating expenses	334	267
Ordinary income	5,824	6,329
Extraordinary income		
Gain on sales of investment securities	10	93
Other	0	1
Total extraordinary income	10	95
Extraordinary losses		
Loss on retirement of non-current assets	153	380
Impairment loss	23	53
Loss on closing of stores	97	–
Other	2	6
Total extraordinary losses	277	440
Income before income taxes and minority interests	5,557	5,984
Income taxes	2,277	2,364
Income before minority interests	3,280	3,619
Net income	3,280	3,619

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	First six months ended August 31, 2013	First six months ended August 31, 2014
Income before minority interests	3,280	3,619
Other comprehensive income		
Valuation difference on available-for-sale securities	189	(125)
Foreign currency translation adjustment	21	8
Share of other comprehensive income of entities accounted for using equity method	5	(1)
Total other comprehensive income	216	(118)
Comprehensive income	3,496	3,501
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,496	3,501
Comprehensive income attributable to minority interests	—	—

(3) Consolidated statements of cash flows

(Millions of yen)

	First six months ended August 31, 2013	First six months ended August 31, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	5,557	5,984
Depreciation	2,880	2,812
Impairment loss	23	53
Increase in provision for bonuses	92	91
Increase (decrease) in provision for retirement benefits	14	(21)
Interest and dividend income	(63)	(58)
Interest expenses	271	228
Loss on sales and retirement of non-current assets	65	138
Gain on sales of investment securities	(10)	(93)
Loss on store closings	97	–
Increase in notes and accounts receivable - trade	(2,597)	(3,166)
Decrease (increase) in inventories	31	(14)
Increase in notes and accounts payable - trade	2,580	4,055
Increase/decrease in other assets/liabilities	455	1,352
Other, net	28	(4)
Subtotal	9,429	11,359
Interest and dividend income received	63	58
Interest expenses paid	(235)	(242)
Payment resulting from store closing	–	(101)
Payments for cancellation of rental contracts	(999)	–
Income taxes paid	(3,226)	(1,083)
Net cash provided by operating activities	5,031	9,990
Cash flows from investing activities		
Purchase of property, plant and equipment	(31,503)	(5,435)
Purchase of investment securities	(55)	(1)
Proceeds from sales of investment securities	238	445
Payments for lease and guarantee deposits	(470)	(211)
Proceeds from collection of lease and guarantee deposits	8,360	3,571
Decrease in guarantee deposits received	(482)	(519)
Other, net	(90)	(115)
Net cash used in investing activities	(24,002)	(2,265)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	500	(4,000)
Increase in commercial papers	–	1,999
Proceeds from long-term loans payable	15,500	–
Repayments of long-term loans payable	(3,371)	(4,000)
Redemption of bonds	(500)	–
Net decrease (increase) in treasury shares	9	(0)
Cash dividends paid	(913)	(913)
Other, net	(86)	(89)
Net cash provided by (used in) financing activities	11,139	(7,002)
Effect of exchange rate change on cash and cash equivalents	30	6
Net increase (decrease) in cash and cash equivalents	(7,801)	728
Cash and cash equivalents at beginning of period	10,463	3,529
Cash and cash equivalents at end of period	2,661	4,257